



May 2007

FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index added 2.2% after three consecutive months in the red. Global equity markets (+4.6%) made good progress, while the bond market fell back 90bps. The three real estate regions were all up during the month. Europe tip-toed ahead 20bps, and across the Atlantic North America climbed 160bps. Asia-Pacific ended the month by far the strongest of the three regions (+4.2%). Year to date Asia-Pacific remains well ahead 14.7%, with North America 2.5 up. Europe stocks remain 1.4% behind. All returns are expressed in EUR.

Using compounded annual returns, over a five-year period, Global real estate outperformed Global equities and Global bonds significantly. On average, Global real estate returned 17% annually, Global equities advanced 6.3% in comparison, and Global bonds added 4.2%. As a result, over the total five-year period, Global real estate returned 120%, Global equities gained 36% and Global bonds advanced 23%.

Asset Classes (EUR)	May-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	2.2	5.7	119.6	17.0
Global Equities	4.6	8.4	35.9	6.3
Global Bonds	-0.9	-0.1	22.7	4.2
Europe Real Estate	0.2	-1.4	172.7	22.2
N. America Real Estate	1.6	2.5	90.7	13.8
Asia Real Estate	4.2	14.7	137.2	18.9

Source: EPRA/FTSE/JP Morgan

Asia / Pacific

In the Asia/Pacific region, the performance of the countries was on the whole positive. Performance ranged from a strong push of 4.2% for EPRA/NAREIT Australia (AUD), to a pull back of 1.2% for EPRA/NAREIT New Zealand (NZD). EPRA/NAREIT Japan (JPY) and EPRA/NAREIT Hong Kong (HKD) added 4% and 3.7% respectively. EPRA/NAREIT Singapore (SGD) ended the month up 40bps. Asia-Pacific 36 months rolling volatility is 12%.

Country	May-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	4.2	14.7	137.2	18.9
Australia (AUD)	4.2	5.4	144.4	19.6
Hong Kong (HKD)	3.7	11.8	158.3	20.9
Japan (JPY)	4.0	27.7	257.3	29.0
Singapore (SGD)	0.4	28.7	305.8	32.3
New Zealand (NZD)	-1.2	3.9	-NA-	-NA-

Source: EPRA

On top of the Global and Asian performers in May was Hong Kong listed Kerry Properties (+21.9%). Australian hotel & resorts developer Sunland Group jumped 18.4% following a positive set of recommendations from analysts. Premier Investment of Japan forged ahead 18.1%. Takeover target Investa Property Group leapt 16.1%, closely followed by office peer Commonwealth Property (+16%) riding on the back of the Investa bid. Propping up the Asian performers was Guocoland (-9.4%) of Singapore reversing some of its strong gains in March and April.

Morgan Stanley agreed to buy Investa Property Group, the largest owner of offices in Australia for A\$4.7 billion (US\$3.9 billion) in May. The deal values shares at A\$3.08 each. Morgan Stanley has splashed out approximately US\$12.5 billion in the past month on real estate investments. The purchase of Investa's office portfolio in Australia will add to offices bought in Berlin, Dallas and Las Vegas.

European Public Real Estate Association

Schiphol Boulevard 283 1118 BH Schiphol Airport The Netherlands
 T +31 (0)20 405 3830 F +31 (0)20 405 3840 E info@epra.com
 W www.epra.com



Macquarie Prologis Trust (MPT) announced in April that US real estate group Prologis offered to pay A\$1.43 for its shares. The deal values Macquarie Prologis at A\$1.5 billion. Geoff Lovell, the trust's CEO said that the deal had been on the cards since Prologis established the Prologis North American Industrial Fund in early 2006. Shareholders will vote on the plan on 27 June. MPT was up 0.71% on the month.

Diamond City and Aeon Mall signed an agreement in March to merge on 21 August in order to expand into China and other overseas markets. Aeon Mall added 9.43% in May.

TOC is currently the subject of a JPY 1100 per share unsolicited bid by Japan's largest private real estate fund – KK DaVinci Advisors. The bid topped an offer of JPY 800 per share by Toc president Takuo Ohtani. KK DaVinci will not purchase TOC if it fails to gain over 50% of the shares by 18 July according to a TSX announcement.

'The Claymore' apartments in Singapore may fetch a record price for a collective sale amid rising home demand. The site could be sold for at least SG\$1.8 billion according to CBRE and DTZ. The land could be redeveloped into a new residential project. Singapore's developers are currently tearing down older blocks at record rates as the largest gain in housing prices exists in new developments. The current record for a collective sale of owners of an existing development is held by Leedon Heights which was sold to Guocoland for SG\$835 million in April. It is worth recapping that Capitaland and Sun Hung Kai sold a project on the Orchard Road for a record SG\$4,000 per square foot in March.

The Nikkei newspaper reported that the Japanese Government Pension Fund, the world's largest pool of retirement funds, may start to invest in the real estate sector. The newspaper did not state a source. Japan's real estate market is rebounding from a 16 year slump, driven by demand in the major cities of Tokyo, Osaka and Nagoya. Mitsui Fudosan, Japan's largest developer by sales forecast a third consecutive year of record profits in April.

Orchard Funds Management is expected to float an industrial LPT later this year. Orchard intends to list a portfolio of industrial properties worth in the region of A\$800 million. The trust would be imaginatively named the Orchard Industrial Fund. Macquarie Bank is marketing the fund.

Rounding up the corporate actions for the Asia-Pacific region in May, Centro Retail Trust increased its free float weighting to 100%, Capitaland and Shenzhen Investment paid special dividends of SG\$0.05 and HK\$0.1145 respectively, and Galileo Shopping America Trust changed its name to Centro Shopping America Trust.

Europe

In May, the EPRA/NAREIT Europe Index crept up 20bps. The heavily weighted UK market dropped 1.2%, but gains in Continental Europe balanced out aggregate returns - France (+3.8%) being the star performer. The UK is in the red year to date (-9.3%). France stands strongly on positive ground, in the good company of The Netherlands (+9.2%) and Sweden (+12%). Broad European volatility stands at approximately 11%, the lowest of the three regions.

Country	May-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Europe (EUR)	0.2	-1.4	172.7	22.2
UK (GBP)	-1.2	-9.3	147.9	19.9
Netherlands (EUR)	1.7	9.2	184.8	23.3
France (EUR)	3.8	9.9	320.0	33.2
Sweden (SEK)	0.3	12.0	267.7	29.7

Source: EPRA

Heading the European performers in May was Norwegian Property (+21.3%). The company reported a pre-tax return on equity of 6% for the quarter, corresponding to an annualised return of 24%. French company Icade jumped 15%. The company offered to purchase the remaining shares it doesn't own in SIICInvest for €2.78 per share. The UK Balanced

European Public Real Estate Association



Property Trust moved up 11.7% during the month following the emerging battle between the board of the trust and major shareholder Scottish Windows. Scottish Windows has requested that an extraordinary meeting take place (probably in June) tabling proposals remove the current directors and wind up the company. Lamda Development of Greece (+11%) had another great month in May on the back of a 10% increase in share price in April, and Wereldhave Belgium advanced 10%. Holding up the list of European stocks was UK based Capital & Regional after a fall of 10.3%.

Unibail will buy Rodamco Europe for €11.2 billion. The deal will create the largest real estate company in Europe by market capitalization. Unibail offered 0.5223 of a Unibail share for each Rodamco Europe share in an offer that started on 22 May and runs until 20 June. Rodamco shareholders will vote on the transaction on 6 June. The combined group will own a pro-forma 2006 portfolio appraised at €21.7 billion with a net rental income of €974 million. Unibail will enter the CAC40 Index as at 18 June according to a NYSE Euronext statement on 29 May. Unibail ended the month 4.31% up, while Rodamco Europe finished +2.04%.

Immoeast raised €3 billion in a rights issue to further expand into Eastern Europe. The company intends to use the capital raised to invest in the Balkans, Ukraine and Russia. The company issued 277.9 million shares at €10.2 per share. Rounding up the corporate actions in Europe - Fonciere des Regions paid a special dividend of €7.50, Fabege of Sweden exercised a 2 for 1 stock split, and Slough Estates changed its name to Segro.

Deutsche Telekom which currently holds €10 billion of real estate on its balance sheet, of which over 50 percent is located in Germany, sold two commercial properties to an unknown investor. Some analysts believe that the introduction of the German-REIT structure coupled with German property market conditions creates a favorable backdrop for the company to create a REIT.

Realia, a Spanish residential developer and commercial property owner, will debut in Madrid in June. PIK Group, a Russian residential developer plans to sell shares in what would be the largest IPO by a developer in Europe. In the UK Vector Hospitality is seeking to raise GBP 2.5 billion to buy 71 hotels it announced in a company statement. Local Shopping REIT listed in May and Rugby Estates Investment Trust also hit the market during the month raising GBP50 million. Both IPOs were too small to be considered under the fast track rule of the FTSE EPRA/NAREIT Global Real Estate Index.

North America

Over the Atlantic, US real estate stocks ended +10bps in USD terms in May, and EPRA/NAREIT Canada (CAD) lost 190bps. At an aggregate level, the EPRA/NAREIT North America Index (USD) ended up 20bps during the month. North America is ahead 4.6% so far in 2007. 36 months rolling volatility in North America is the highest of the three regions, currently standing at 15%.

Country	May-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
North America (USD)	0.2	4.6	174.8	22.4
United States (USD)	0.1	3.8	170.5	22.0
Canada (CAD)	-1.9	4.3	149.8	20.1

Source: EPRA

Archstone-Smith (+19.3%) topped the North American performers list in May following a takeover bid (details below). Equity Inns advanced 16.9%, followed by DiamondRock (+14.5%). Corrections Corp of the United States added +14.1% and Alexander's pushed forward 13.2%. At the bottom end, CBL & Associates Properties lost 9.7% following concerns by analysts.

European Public Real Estate Association



The big news in the region in May was the \$13.5 billion takeover bid by Tishman Speyer Properties and Lehman Brothers Holdings for residential player Archstone-Smith. The deal is worth \$60.75 per share with a total transaction value of \$22.2 billion including debt. The deal would provide the bidders with 86,000 apartments stretching from the east to the west coast. According to the National Association of Realtors, rental demand is set to increase as house prices fall.

Shopping mall owner Pennsylvania REIT received an offer of \$55 per share from LaSalle Investment Management according to REIT Wrap newsletter. The newsletter wrote that the REIT had not responded to the offer.

Innkeepers USA Trust is the target of a US\$ 1.5 billion takeover bid by Apollo Investment Corp. The deal is worth US\$17.75 per share in cash and Apollo will assume Innkeepers debt. Apollo is targeting hotels after takeovers of lodging companies by private equity surged in the past 12 months to US\$16.1 billion. Innkeepers announced that it will hold a special meeting of shareholders on 26th June.

Winston Hotels is the target of bids by Inland American Real Estate and Wilbur Acquisition Holding. Wilbur offered \$14.10 per share in April but this was topped by an unsolicited \$457.5 million bid (\$15 per share) from Inland American. Winston is the owner of 53 hotel properties across the United States. Winston Hotels will hold a special shareholder meeting on 21 June to vote on the proposal to approve the merger with Inland American Real Estate Trust.

To complete the corporate actions in May for the region, Brookfield Properties had a stock split of 3 for 2.

The next round of FTSE EPRA/NAREIT Global Real Estate Index quarterly reviews will be held on Wednesday 6th June. The reviews take the form of three separate regional committee meetings. Results are announced before the next days trading.

The EPRA Monthly Statistical Bulletin is available for EPRA members from www.epra.com.

The FTSE EPRA/NAREIT Global Real Estate Index consists of the largest and most heavily traded real estate stocks in Asia, Europe and North America. As at 31 May, there were a total of 313 stocks in the index.



The following table highlights the performance of regions and countries over a number of time periods:

Index Description	Curr	Close Value 31-May	Div		Total		Total		36 Mths Vlty (%)
			Yld (%) 31-May	Rtn (%) QTD	Rtn (%) May-07	Rtn (%) YTD			
Global	EUR	2,997.58	2.98	0.48	2.25	5.73	10.23		
Asia	EUR	2,319.07	2.62	4.08	4.22	14.67	10.98		
Europe	EUR	3,801.83	2.20	3.29	0.24	1.38	11.10		
North America	EUR	3,377.40	3.70	0.51	1.61	2.48	13.88		
Global Ex-Asia	EUR	3,451.55	3.19	1.46	1.15	1.25	11.53		
Global Ex-Europe	EUR	2,783.88	3.20	1.57	2.81	7.80	11.17		
Global Ex-North America	EUR	2,912.83	2.46	1.22	2.71	8.13	9.73		
Asia	EUR	2,319.07	2.62	4.08	4.22	14.67	10.98		
Pure Asia	EUR	2,405.55	2.17	3.58	4.26	15.55	11.67		
Japan	JPY	4,780.83	0.88	4.15	3.95	27.71	21.51		
Australia	AUD	3,139.60	5.19	7.67	4.23	5.40	9.08		
Pure Australia	AUD	3,327.75	4.94	8.81	5.04	4.92	9.70		
Hong Kong	HKD	2,147.11	2.07	5.84	3.66	11.79	16.64		
Singapore	SGD	2,410.96	2.02	5.76	0.42	28.73	16.22		
New Zealand	NZD	1,623.81	5.21	3.03	1.23	3.90	-NA-		
Europe	EUR	3,801.83	2.20	3.29	0.24	1.38	11.10		
Europe	EUR	2,380.20	1.65	3.49	0.17	1.64	11.14		
Euro Zone	EUR	4,276.88	2.39	1.49	1.20	6.44	10.99		
Euro Zone	EUR	2,569.73	1.79	1.85	1.05	5.99	11.05		
Europe Ex UK	EUR	4,432.88	2.50	1.06	1.12	7.07	10.98		
Europe Ex UK	EUR	4,336.52	1.88	1.43	0.98	6.55	11.05		
Europe Liquid 40	EUR	3,743.55	2.14	3.81	0.23	2.56	11.85		
Europe Liquid 40	EUR	3,671.81	1.61	4.00	0.15	2.81	11.90		
Europe Liquid 40 Ex UK	EUR	4,772.84	2.52	0.79	1.65	8.11	11.64		
Europe Liquid 40 Ex UK	EUR	4,596.89	1.89	1.20	1.49	7.54	11.74		
UK	EUR	3,270.74	1.82	5.96	0.86	10.20	14.06		
UK	EUR	2,164.07	1.37	5.95	0.86	10.20	14.06		
Netherlands	EUR	3,976.86	3.90	2.32	1.70	9.18	12.31		
France	EUR	5,481.35	2.38	1.53	3.75	9.92	15.33		
Austria	EUR	2,144.94	0.07	2.77	0.51	7.75	7.49		
Sweden	EUR	5,499.23	4.91	0.86	1.27	8.64	21.33		
Germany	EUR	1,620.92	2.03	5.51	1.94	7.46	19.44		
Switzerland	EUR	1,976.78	1.32	3.13	0.46	1.64	10.96		
Belgium	EUR	2,306.16	5.31	3.97	1.83	3.93	9.03		
Italy	EUR	5,570.43	1.99	3.64	3.65	0.67	18.17		
Denmark	EUR	964.58	0.16	18.28	8.26	46.49	39.48		
Finland	EUR	6,289.64	2.76	2.56	2.85	13.81	18.91		
Poland	EUR	2,486.49	-	3.15	0.95	23.09	-NA-		
UK	GBP	3,595.43	1.82	5.74	1.17	9.33	14.72		
UK	GBP	1,885.06	1.37	5.74	1.17	9.33	14.69		
Switzerland	CHF	2,042.44	1.32	1.70	0.33	4.13	11.67		
Sweden	SEK	6,006.83	4.91	0.44	0.31	11.99	21.46		
Denmark	DKK	967.03	0.16	18.24	8.22	46.38	39.54		
Poland	PLN	2,934.52	-	4.27	0.20	22.64	-NA-		
North America	USD	4,337.90	3.70	0.58	0.19	4.58	12.92		
United States	USD	4,284.59	3.63	0.06	0.08	3.85	13.33		
Canada	USD	5,465.57	4.45	6.79	1.40	13.51	10.49		

Source: EPRA

European Public Real Estate Association

Schiphol Boulevard 283 1118 BH Schiphol Airport The Netherlands
 T +31 (0)20 405 3830 F +31 (0)20 405 3840 E info@epra.com
 W www.epra.com